

100 South Jefferson Road  
Whippany, New Jersey 07981  
201 884-8000

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January 11, 1993

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MAY 13 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. Mark Uretsky  
Federal Communications Commission  
1919 M Street NW Room 518  
Washington, D.C. 20554

Dear Mark:

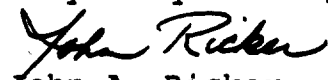
Attached is a copy of the USF analysis that you requested. As we discussed, this analysis only recasts the expense adjustment amount based on a final National Average Cost Per Loop (NACPL) for the four years that companies have been using Part 32 and Part 36 in place of the former Part 31 and 67 Rules for USF calculation.

While recast impacts for the years 1984 through 1987 are not displayed, the USF Expense Adjustment would increase under the recast methodology for 1984 through 1986, because of the inverse relationship between the NACPL and the expense adjustment we discussed (i.e., as NACPL decreases, the Expense Adjustment increases) and decrease for 1987.

With regard to your question of NECA's position on the use of this recast methodology to perform final "true-ups" to the Universal Service Fund, we believe that the procedures currently in use best serve our membership, in that companies that provide accurate data to NECA initially receive a known, stable expense adjustment amount for use in State Rate Case activity (NECA for the past two years has provided each state regulatory commission with the USF expense adjustment amounts for every exchange carrier in their state). As I also noted, the USF is not a "pool" in which ECs anticipate the actions of one member to impact the revenue distributions of all other ECs.

Should the Commission determine that the use of a true-up mechanism is in order, NECA strongly believes that it be instituted on a prospective basis only. This would allow advance notice to the ECs of the change in methodology. If it is determined to institute it retroactively, the methodology should be utilized back to the original data year, 1984, so that all USF data will contain the same level of accuracy.

Should you have any questions on the attached data, or my response to your question, please call me at (201) 884-8085.

  
John A. Ricker  
Director - Rate Development

Attachment

No. of Copies rec'd 1 copy  
List A B C D E

### USE ANALYSIS OF TRENDS IN NACPL AND EXPENSE ADJUSTMENTS

**11-Jan-93**

**USFTREND**[illegible]